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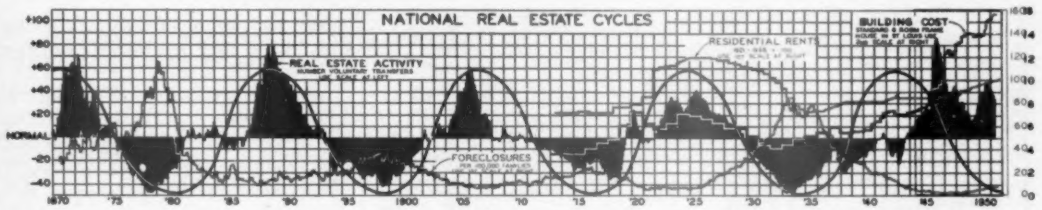
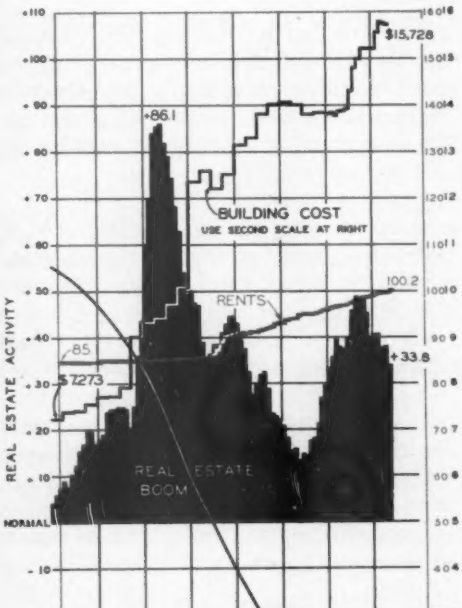
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS





REAL ESTATE ACTIVITY

In this issue of the Trends Bulletin we show the real estate activity patterns in seven major geographic regions in addition to our national index. The national activity index is down again. Its reading is 33.8 points above normal and marks the index's lowest level in nearly a year. This national index has behaved pretty much as most of us expected. Its decline has been slow but steady. Throughout the remainder of the year it may drop somewhat faster.

In one or two of the regions for which we have developed indexes, real estate activity has reacted rather strangely to credit controls. The regional charts are on pages 248 through 250. The New England and Middle Atlantic Regions are pretty close to the national average, both before and since the imposition of controls. The same is generally true of the East Central Region, although this region has been a trifle higher than the national average. The West Central Region has experienced more severe drops since August than has

the national average. Its latest reading (March) is only 12.4 points above normal compared with the national March reading of 37.8 points above normal. In August 1950 the two indexes were only a few points apart.

Activity in the South Region has held up very well. Its March reading was almost 41 points above normal and while it has dropped a trifle faster than has the national average, its level is still quite high. In the Southwest Region activity has followed a strange pattern. It rose to 104.7 points above normal in September 1950, but since then it has fallen to 58.6 points above normal. Of course, this last reading is far above the national average, but the drop has been pretty drastic.

The trend of the activity index in the Mountain Region has followed the national average closely, although on a little lower level. Its February and March readings, however, have shown small gains.

The activity pattern in the Pacific Region has been strangest of all. Many people thought that credit controls would knock the props from beneath its boom in fairly short order. To the contrary, its index has shown a slow and somewhat irregular gain since August 1950. Its latest level of 35.6 (February) is 6.5 points above its August reading and more than 17 points above its January 1950 reading. Apparently, pre-Regulation X commitments were unusually heavy in this region and its reaction to credit controls will come a month or two later than in other parts of the country.

Brokers throughout the country are having to do a harder selling job. However, they do have a very potent weapon in the renewed threat of wider credit controls. If Regulation X is extended to include the sales of older dwelling units, thousands of vacillating buyers and sellers will be blocked from the market. Anyone postponing the sale or purchase of an older house is running a calculated risk by doing so.

REAL ESTATE MORTGAGE ACTIVITY

For the time being, credit controls have been nudged into the background. Most of the mortgage men we know are very much up in the air over the recent changes in the bond market. It would be a mistake to underestimate the change caused in the credit picture by the government's switch to 2-3/4% bonds and by the Federal Reserve Board unpegging of bond prices.

These changes have temporarily driven most institutional lenders from the mortgage lending field. The principal source of institutional mortgage money has been the sale of government bonds at the Federal Reserve Board guaranteed price of slightly over 100. Now that this price is no longer guaranteed and has slipped to a shade under 97, the institutional lenders are unwilling to take a loss on the sale of these bonds unless they can get mortgages bearing higher rates (than mortgages have been bearing in recent years).

A number of large insurance companies have announced that they are out of the market entirely for periods ranging from six months to "indefinite."

The result of this upheaval is not too hard to foresee, although the timing is uncertain. Within a few months the mortgage business will stabilize at a lower level of activity. There will be less funds available and the rate will be higher; commission

charges will once again become the rule rather than the exception.

We learn from W. A. Clarke of Philadelphia that some of the smaller insurance companies are reducing their correspondents' servicing fees from 1/2 to 1/4 of 1%. We would like to add our bit to Mr. Clarke's word of warning. This is an unsound practice and should not be allowed to start. Such an arrangement can only result in poor servicing with eventual losses to the lender and to the correspondent.

The currently discussed measure of extending Regulation X to include the sales of older homes seems almost more than the mortgage business should have to endure.

No doubt some tightening of real estate credit would result, but at the present time we wonder if such a move would not virtually dry up the mortgage business. In its current uncertain state the mortgage business is just about as tight as it can get. From the standpoint of reducing inflationary pressures we doubt whether much would actually be accomplished. Nearly all conventional loans are made on a pretty cagey basis and about as wild as any of them can get are some of the savings and loan companies' 80% mortgages. Since the big institutional lenders have already been put on reduced rations, extension of Regulation X would result mainly in the sharp curtailment of lending by savings and loan companies.

RESIDENTIAL RENTS

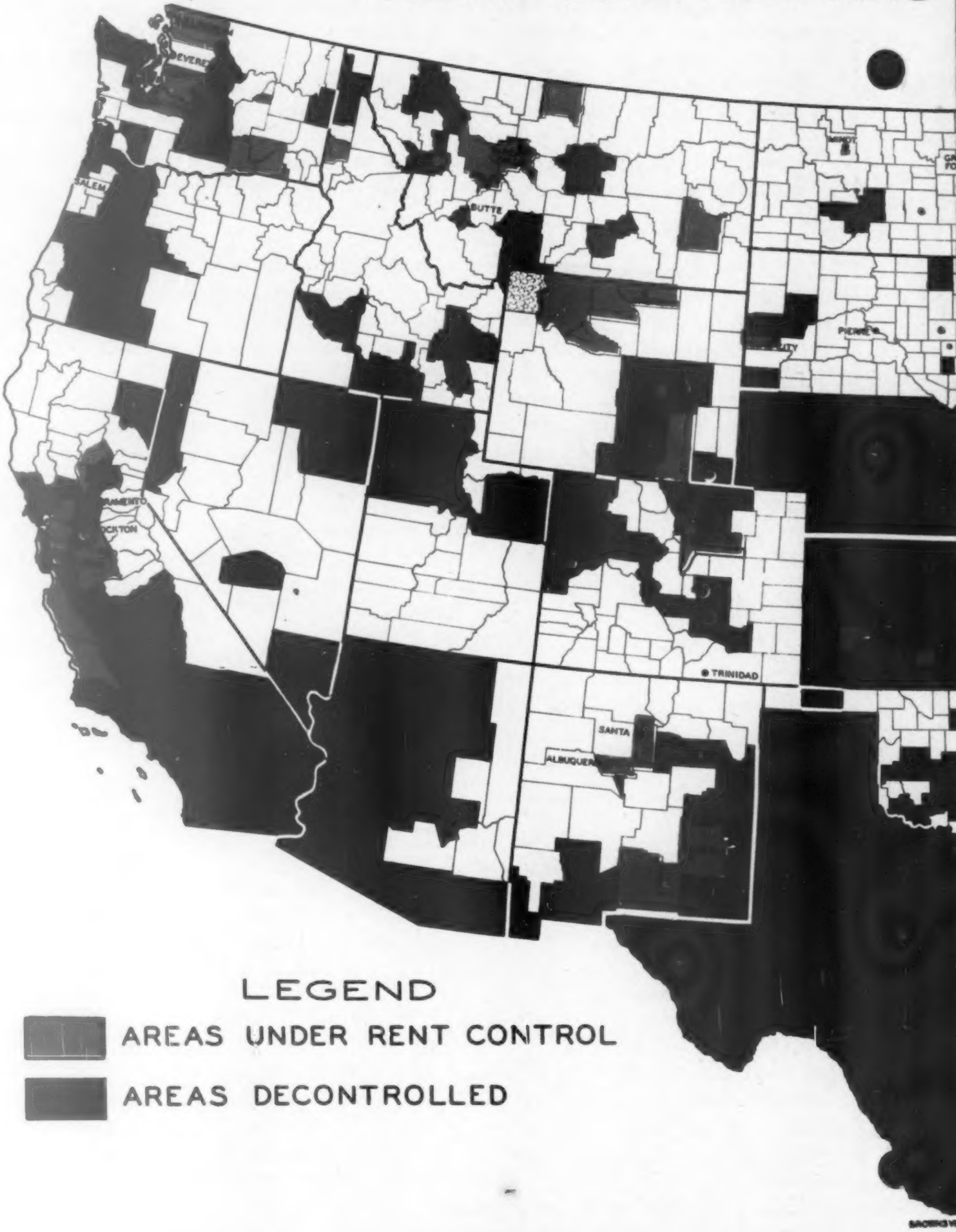
The map on pages 246 and 247 shows the extent to which rent decontrol has advanced. The white areas are those where rent controls have never been (cont. on page 250)

EXPENDITURES FOR NEW CONSTRUCTION
(In millions of dollars)

	1950	1951*	% change
Total construction	$27,715	$25,165	-9.2
Private	20,648	16,954	-17.9
Residential	12,500	7,750	-38.0
Nonresidential	3,767	4,709	+25.0
Farm construction	1,087	978	-10.0
Public utilities	3,182	3,405	+7.0
All other private	112	112	0
Public	7,067	8,211	+16.2
Residential	341	365	+7.0
Nonresidential	2,310	2,888	+25.0
Military and naval	180	270	+50.0
Highways	2,425	2,789	+15.0
Sewer and water	655	721	+10.0
Misc. public-service enterprises	185	198	+7.0
Conservation and development	875	875	0
All other public	96	105	+10.0

*Estimated.

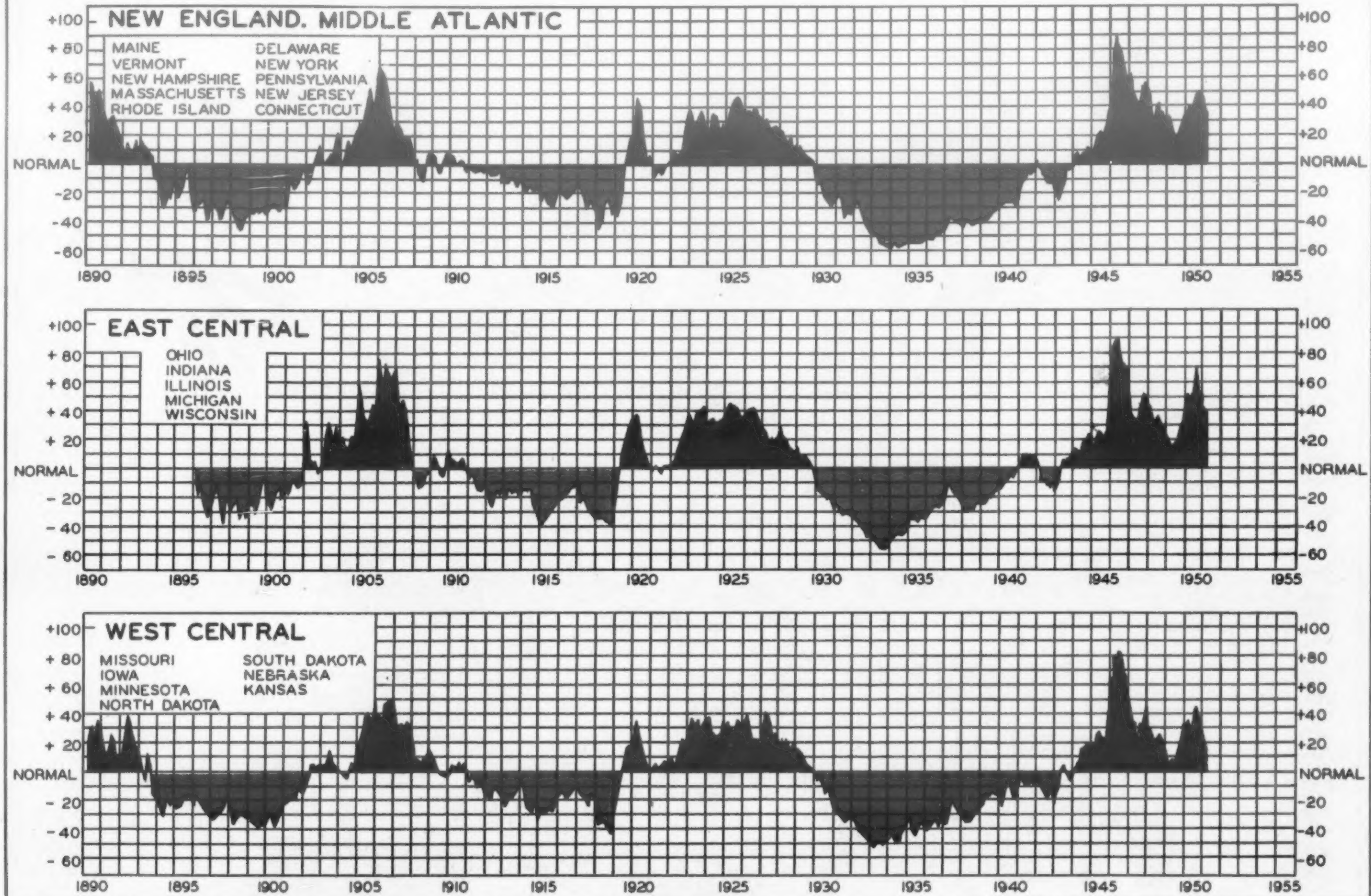
RENT CONTROL AND



*BASED ON DATA AVAILABLE THROUGH MAY 1, 1951.

DECONTROL BY COUNTIES*

REGIONAL PATTERNS OF REAL ESTATE ACTIVITY



REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

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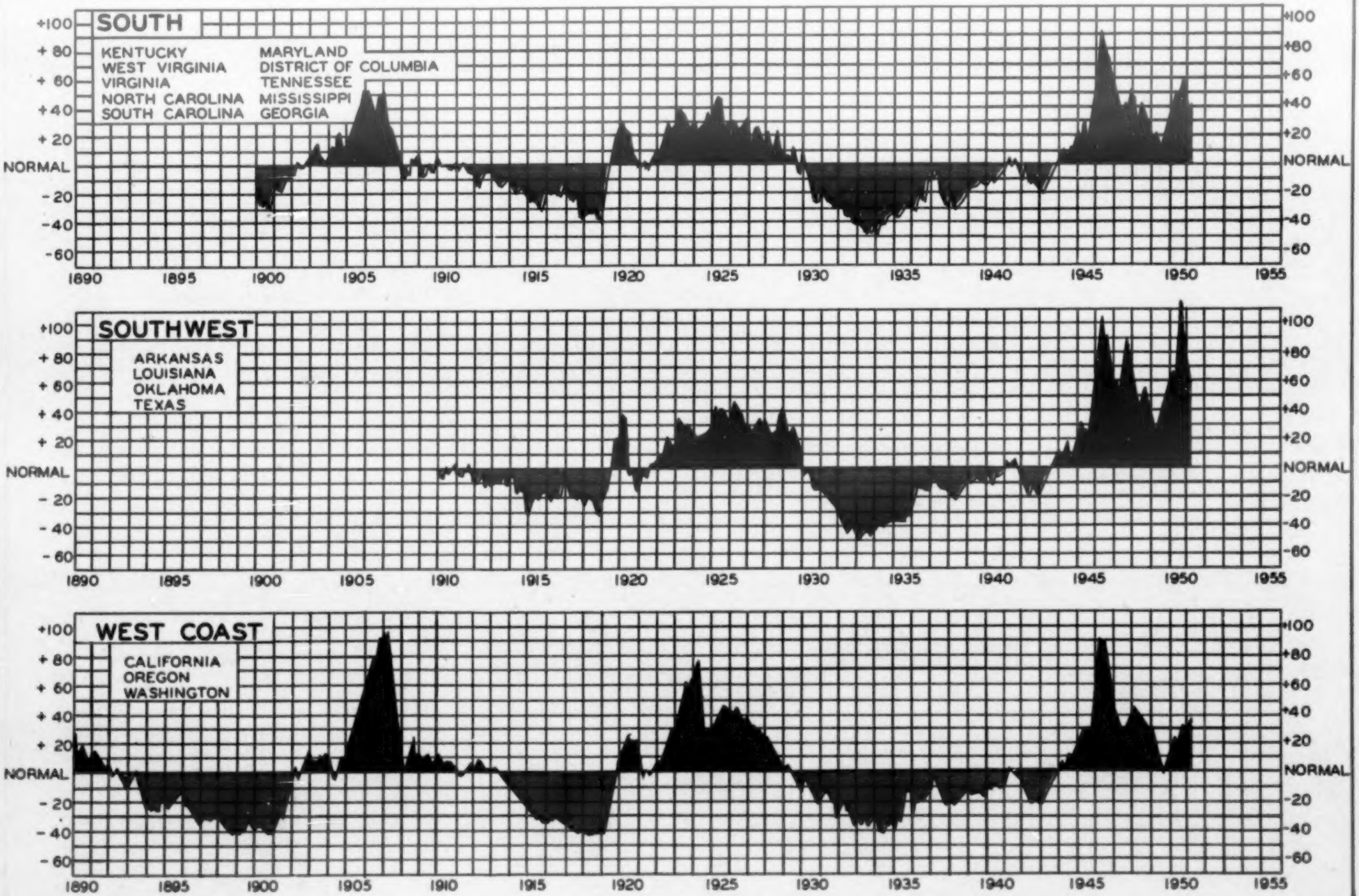

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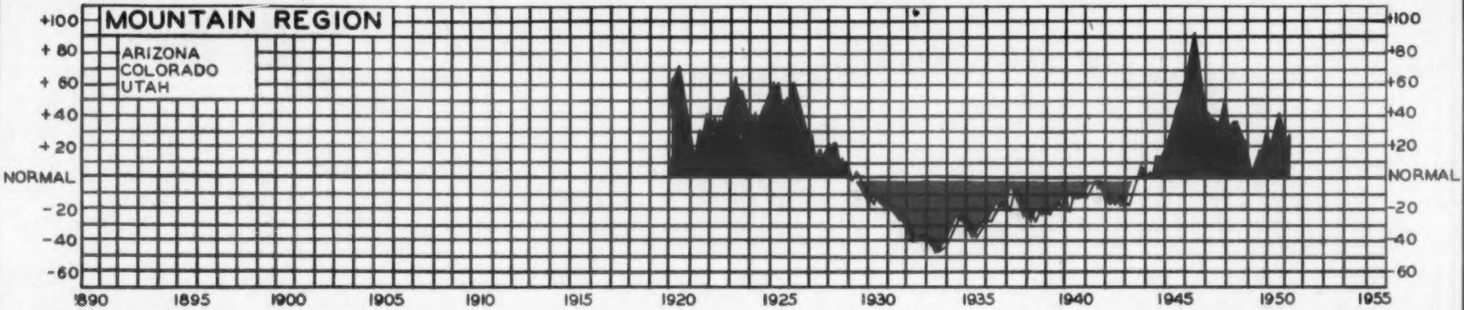

(cont. from page 245)

in force. The red areas are those where Federal rent controls are still in force. The blue areas are those that have one way or another been decontrolled. In addition to the many blue areas, there are several hundred decontrolled communities that were too small to indicate on the map.

In several of the blue areas you will notice a small red circle. This represents a city or large community that is still under control. A considerable number of the decontrolled areas have been decontrolled under the local option section of the present rent law. To put these areas back under rent control after they have expressed their wish (mandate) to be free of them is the height of bureaucratic arrogance. It seems that no pretense is too flimsy for those who advocate Federal rent controls. During the war years there was possibly some excuse for them, but since the war they have been retained on first one pretext and then another. The current plea is to halt inflation. There is very little economic ground and absolutely no moral ground for such reasoning. The government has made a good beginning in fighting the credit side of inflation but has done little to stem the tide that rises with steadily increasing incomes. So long as the government refuses to attack this source of inflationary pressures, it is pure camouflage to talk of fighting inflation by stiffer rent control. If Congress is really worried about inflation, let it pass a good stiff tax on personal incomes.

There is nothing in the current economic or housing situation to justify continued Federal controls. The number of nonfarm dwelling units has increased by 10 million and the number of nonfarm households has increased only 9 million (1940-1950 Census Bureau releases). If any city or community feels that it needs rent controls, let it set up its own machinery for administering it. After the record-breaking years of residential construction, the housing shortage is purely a local issue and should be solved at the local level.